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1. The current situation in Iran is dominated by political rather than economic factors and the determining political factor is whether or not Mosadeq will voluntarily retire in the immediate future as Prime Minister. There are indications, such as the resignation of Dr. Hassibi (the strongest exponent of the belief that Iran can operate its oil industry without foreign technical cooperation), the sound arguments of the opposition, and the worsening economic situation, that Mosadeq may be wondering whether he can restore minimum economic stability. However, at the moment, it seems probable that his partisans will not permit his resignation, at least until after the Majlis elections now taking place in Tehran and the northern provinces.
2. The increasing strains on Iranian economy arising from the cessation of foreign exchange revenues from the oil

State Dept. review completed

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Review of this document by CIA has determined that

- ☒ CIA has no objection to declass
- ☐ It contains information of CIA interest that must remain

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operations have so far affected seriously only the commercial community. Although the government is facing a serious shortage of funds, it has not yet exhausted the means at its disposal for raising more revenue internally.

3. The Shah cannot remove Mosadeq at the present time without probably bringing on civil war in which Mosadeq, with the support of a significant part of the security forces and the Tudeh Party would be pitted against the Shah. It seems probable that the revolutionaries would win in Tehran and declare the dynasty ended.
4. If Mosadeq, despite the probable demands of his partisans, retires without proposing a successor, it is probable that the combination of dissention within the National Front, plus the pressure of opposition Deputies will permit the Shah to name an interim Prime Minister, probably Hoseyn Ala.

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5. If Mosadeq recommends a successor, such as Hoseyn Makki, it is probable that the current Majlis majority would extend a vote of confidence until the end of the current Majlis session, February 19, 1952.
6. It is unlikely that Mosadeq will accept the conditions which the British Government and foreign oil companies insist upon if they are to resume the purchase of Iranian oil. If that is the case, it is likely that Mosadeq will insist upon selling to any purchaser who will provide transportation.
7. If the elections result in a large National Front majority, it is probable that Mosadeq will retire and be succeeded by a National Front leader. At that time economic pressures may make it possible to revise the Oil Nationalization Law to provide a flexibility which will permit agreement acceptable to the major oil companies. Such a proposal would, however, be accompanied by a break-up

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of the National Front with the Tudeh sympathizers emerging into the open as an active opposition.

8. To check economic deterioration Mosadeq or a successor may be expected to exhaust every possibility of developing trade - by barter if necessary - with all countries, including the Soviet bloc.
9. US emergency aid could not only check economic deterioration but initiate a movement to establish economic stability in Iran with only limited exploitation of Iran's oil resources. There is some doubt as to Mosadeq's willingness to accept US economic aid on the terms which the US would require. He probably reflects a dominant Iranian determination to do without foreign aid from any source if it is accompanied by what Iranians consider a threat to the independence and complete sovereignty of Iran.
10. Although the Tudeh Party does not now appear capable of seizing power it would probably acquire that ability in

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the course of national disturbances which would accompany an attempt by the Shah now to arrest or oust Mosadeq. It is probable that the elections will return a significant minority of Tudeh sympathizers. The extent to which the government can prevent their activities from increasing Tudeh strength with the ultimate result of the establishment in Iran of a communist government will depend upon the government's ability to maintain a stable, if restricted economy and to maintain a firm national stand against pressure from any foreign source.

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